

MOTION BY SUPERVISOR SHEILA KUEHL

February 19, 2019

**Implementation of an Emergency Preservation and Tenant Assistance Fund**

The County’s efforts to address the current housing crisis include a wide range of initiatives and mechanisms designed to identify and preserve affordable rental units that have expired or expiring affordability covenants. On October 27, 2015, the Board directed the CEO to create the Affordable Housing Programs Budget Unit to help facilitate the funding of housing programs and projects that are prioritized by the Board. On September 26, 2017, The Board adopted a Motion by Supervisors Kuehl and Ridley-Thomas that, among other things, directed the Chief Executive Officer (CEO) to work with the Community Development Commission (CDC) to report back on new strategies for the construction and preservation of affordable housing. In response, the CEO received the CDC’s recommendations and provided a memo to the Board on March 7, 2018 that included recommended strategies for housing preservation. One of the strategies presented was that the CEO and CDC “consider developing a flexible Emergency Preservation and Tenant Protection Fund.” The memo suggested that the fund could serve to provide short-term tenant assistance for units with expiring

**MOTION**

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| Ridley-Thomas | _____ |
| Kuehl         | _____ |
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affordability, as approved by the CDC's Executive Director.

As a follow-up to these recommendations, the CDC has created a unit called Preservation and Home Ownership Programs within their Housing Investment and Finance Division, with the Manager of this unit acting as the Preservation Coordinator. The CDC also added a new type of eligible funding to its Notice of Funding Availability that was designed to provide options for capital funding and/or Project-Based Vouchers for projects that were aging or had expiring commitments. The funds were targeted to projects already in the CDC loan or bond portfolio, with the intent to prioritize the preservation of housing properties that had previously received County support through funding or bonds.

In 2017, a bond-funded project called the Avalon Calabasas Apartments gave notice that they intended to repay the outstanding mortgage revenue bonds funded under the authority of the Housing Authority of the County of Los Angeles (HACoLA) that were administered by the CDC. Although the HACoLA bonds were not due to mature until 2028, the owner's choice to redeem them in 2018 meant that required affordable units would have their affordability requirements expire with the bond redemption. As a result, 120 units with affordability rents for tenants with incomes below 80% of the Area Median Income (AMI) lost their rent restrictions on September 15, 2018.

In the time period leading up to, and following, the expiration of commitments, the CDC engaged in discussions with the ownership of Avalon Calabasas Apartments to identify ways to protect and assist existing residents of the bond units, with an emphasis on the most vulnerable tenants, who were low income seniors on fixed incomes. The

ownership of the property agreed to delay rent increases as a good faith effort during negotiations. While some tenants have voluntarily vacated their apartments at the end of their leases, approximately 95 units still contain low and moderate income tenants. Because the ownership of the property is a Real Estate Investment Trust (REIT), they are unable to use tax credits and therefore unable to benefit from traditional financing incentives that help extend affordability commitments.

As a result of proactive discussions, the CDC believes there are potential ways to develop a long term affordable housing preservation plan, but it would require rental subsidies from the County in order to protect the remaining residents of Avalon Calabasas Apartments from economic displacement during the negotiations and analysis period. The financial review of the economic implications of rental subsidies show that up to \$500,000 would be needed to continue unit affordability through the end of 2019.

**I, THEREFORE, MOVE** that the Board of Supervisors acting also as the Board of Commissioners of the Community Development Commission

- 1) Direct the CDC to develop administrative procedures and program guidelines necessary to implement an Emergency Preservation and Tenant Assistance Fund for at-risk affordable housing units within 60 days.
- 2) Direct the CDC and CEO to work to identify short and long-term funding for the Emergency Preservation and Tenant Assistance Fund, with an immediate goal of implementing the fund for tenant assistance in the Avalon Calabasas Apartments by May 31, 2019.

- 3) Authorize the Executive Director to approve administrative procedures and authorize financial assistance for tenants in the Avalon Calabasas Apartments that does not exceed \$500,000 in total through December 31, 2019.
- 4) Direct the CDC to report back to this Board prior to December 1, 2019 with a long term strategy to secure long term affordability commitments that will extend and preserve the affordability of units in the Avalon Calabasas Apartments.
- 5) Direct the CDC and CEO to report back to this board within 120 days with recommendations on how to expand and implement the Emergency Preservation and Tenant Assistance program for at-risk tenants and properties Countywide.

S: MR/Implementation of an Emergency Preservation and Tenant Assistance Fund